



## Belfast City Council

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	<b>Proposals for Use of the 2010/11 Underspend</b>
<b>Date:</b>	22 October 2010
<b>Reporting Officer:</b>	Julie Thompson, Director of Finance and Resources
<b>Contact Officer:</b>	Ronan Cregan, Head of Finance and Performance

### Relevant Background Information

As discussed at Strategic Policy and Resources Committee on 24 September, there is a potential forecast underspend of £2.9m in 2010/11. Given the early stage of the year it was agreed that up to £1.9m of this underspend is subject to debate at this stage, with any remaining underspend considered at a later point in the year, when the financial position is clearer.

In terms of the utilisation of the £1.9m forecast underspend to be discussed at the moment, it was agreed that Members would take into account:

- (a) that this is an in year underspend which should be utilised to support **one off revenue initiatives rather than ongoing revenue expenditure**, to avoid an implication for the 2011/12 rates setting exercise; and
- (b) in order to maximise the benefit for the 2011/12 rates setting exercise, it would be preferable if such one off revenue initiatives **either pulled expenditure forward** into 2010/11 from 2011/12 (eg. invest in reserves in 2010/11 rather than as part of 2011/12 rates setting etc ) or **lowered the cost base** of the council in 2011/12 (invest to save type initiatives); and
- (c) the **monies** must be **capable** of being planned for and **spent by 31 March 2011**

It was agreed that Strategic Policy and Resources Committee would consider a report on specific proposals for the utilisation of the £1.9m underspend at its meeting on 22 October 2010 and Members were asked to liaise with officers regarding any such proposals.

## Key Issues

### Proposals for Utilisation of £1.1m of the 2010/11 Underspend

A range of proposals have been developed for the consideration of the Strategic Policy and Resources Committee which would utilise some £1.1m of the underspend. These are set out in the table below and are described more fully in Appendix 1.

Proposal	Cost £k	Cost £k
<b>Savings Proposals</b>		
Targeted Voluntary Redundancy	800	
Energy Savings	110	
Water Savings at the Zoo	60	
Subtotal		970
<b>Investment Proposals</b>		
Investing in Local Places	100	
Dealing with Derelict Properties	60	
Subtotal		160
<b>TOTAL</b>		<b>1130</b>

As set out in Appendix 1, the specific utilisation of the Investment proposals would be worked up with the relevant Standing Committee, if approval is given by the Strategic Policy and Resources Committee to proceed on this basis.

### Implications for Rates Setting for 2011/12

Together these saving proposals are estimated to make some £700k savings available for consideration as part of the 2011/12 rates setting process and would provide additional services in relation to local areas and derelict properties. For information, £700k of savings could finance £7m of capital expenditure. Given the mid point of the year, approval is sought for the above proposals so that the savings can be achieved for 2011/12 and/or the services provided by 31 March 2011.

### Consideration of the Remaining £0.8m Underspend at this time

Strategic Policy and Resources Committee agreed on 24 September that up to £1.9m could be considered for utilisation at this stage of the year. Therefore, Members can identify and agree additional proposals (which meet the criteria) of up to £0.8m or indeed, replace any of the above proposals. Party groups are asked to liaise with the Director of Finance and Resources urgently regarding any such alternative proposals, so that, if agreed by Strategic Policy and Resources Committee at its next meeting, they can be actioned by 31 March 2011. If there are no further proposals, any unutilised underspend can be considered in the Financial Report for Quarter 3 2010/11, as set out below.

### Consideration of any Unutilised Underspend

Should the actual outturn remain at £2.9m, there will still be an unutilised underspend, the scale of which will depend on the extent of proposals agreed by the Strategic Policy and Resources Committee above. It is proposed that decisions on the utilisation of this remaining underspend should wait until the Financial Report for Quarter 3 2010/11, but

possible uses could include:

- as first priority, investment in the District Fund Reserve, thus avoiding any further contribution to the District Fund Reserve in the rates setting process for 2011/12. Strategic Policy and Resources Committee was advised on 11 December 2009 that the reserves of Belfast City Council should be in the range of £8m to £10m. Some £1m of the 2010/11 underspend would be needed to provide District Fund reserves of £10m by 31 March 2011;
- investment in other reserves such as Repairs and Renewals Fund (which allows the Council to financially plan for the cost of future major repairs), Election Fund, City Investment Strategy etc; and
- offsetting any reductions in the planned level of rate income in 2010/11 from the write off of rates debt.

### **Resource Implications**

Proposals have been identified which would utilise some £1.1m of the 2010/11 underspend and achieve savings of £700k from 2011/12. Based on current estimates, this would leave some £1.8m of unutilised underspend at this stage.

### **Recommendations**

Members are recommended to :

- (a) consider and approve the proposals set out in Appendix 1, which would utilise £1.1m of the 2010/11 underspend:
  - £248k is used for the VR exercise in Parks;
  - agree that work is now undertaken with the Council's departments to identify any areas of potential redundancy with a view to a report being brought back to standing Committees and SP&R in relation to any detailed proposals for VR up to a maximum cost of £1.2m, including the type and number of posts; redundancy costs; payback period and potential savings.
  - £110k is used to secure energy savings at a number of council properties;
  - £60k is used to secure water savings at the Zoo;
  - £100k is used to improve the tourism offer in local areas;
  - £60k is used to carry out a pilot programme to more proactively manage derelict properties.
- (b) liaise with the Director of Finance and Resources regarding any further proposals, which would be considered at the next Strategic Policy and Resources Committee, up to a maximum of £0.8m; and
- (c) agree that any remaining unutilised underspend is considered by the Strategic Policy and Resources Committee in the Financial Report for Quarter 3, 2010/11

### **Documents Attached**

Appendix 1 – Proposals for Utilisation of £1.1m of the 2010/11 underspend

## 1. Voluntary Redundancy

**Estimated one off costs - £1.2m (£400k already within 2010/11 budgets)**

**Estimated ongoing savings - £600k**

Departments have indicated that there may be areas of their workforce which could be downsized through voluntary redundancy at an estimated one off cost of £1.2m with the following advantages:

- Reductions in the cost of the workforce, generating estimated ongoing savings of £600k for consideration as part of the 2011/12 rates setting exercise;
- Improving the effectiveness of service delivery with no detriment to front line services; and
- Avoiding unnecessary staffing costs following service reviews or reductions in external revenue

Some £400k out of the £1.2m estimated requirement is already available within the 2010/11 corporate budgets for voluntary redundancy. Therefore it is estimated that some £800k of the 2010/11 underspend could be utilised for this purpose.

However, it is not proposed to undertake a further Council wide rightsizing exercise (i.e. seeking VR applications across all at risk groups) but rather to work up **targeted** business cases for any posts subject to voluntary redundancy. This work would be completed in consultation with the trade unions, with controls in place on payback periods and to ensure that redundant posts are then not refilled by alternative means.

Redundancy terms were agreed by Council in 2007 and provide voluntary redundancy compensation up to a maximum of 66 weeks. These terms represent value for money for the Council and provide reasonable compensation to individuals. Indeed, they are already in line with the current Government proposals which substantially reform redundancy payments to Whitehall civil servants.

It should be noted that a report was discussed at the Parks and Leisure Committee on 14 October which proposed changes to the Team Leaders structure. By reducing 26 posts to 20, there is a potential to save some £98k with a one off cost of £248k and a payback of 2.5 years. **It is proposed that Members of SP&R should consider if the one off costs of £248k should be funded from the 2010/11 underspend (as included in the £1.2m total estimated cost above).**

Early indications would suggest that other areas for examination may be Leisure Services; Finance and Resources; Facilities Management; and Building Control. **It is proposed that work is now undertaken with the Council's departments to identify any areas of potential redundancy with a view to a report being brought back to standing Committees and SP&R in relation to any detailed proposals in this regard up to a maximum cost of £1.2m, including the type and number of posts; redundancy costs; payback period and potential savings.**

## 2. Energy Savings

**Estimated one off costs - £110k**  
**Estimated ongoing savings - £50k-£80k**

It is important that the council takes steps to manage its energy consumption in order to reduce energy costs and minimise future Carbon Reduction Charges, which come into effect next year. In that regard it is proposed that some £110k could be spent on a number of energy efficiency measures such as:

- Installation of ½ hour electricity meters so that we can monitor more closely some 92% of our total energy consumption (rather than some 70% currently);
- Changing ISB from oil to gas –fired heating, which is currently 25% cheaper than oil and offers similar savings in carbon emissions;
- Upgrading the boiler in Ligoniel Community Centre which is currently 25 years old;
- Installing/upgrading cavity wall and roof insulation to approximately 10 buildings;
- Upgrading the Building Energy Management System in 40 locations in order to secure better energy management by local staff;
- Replacing oil heating of water at Blanchflower Stadium with gas fired point of use water heaters

Indicative savings estimates, should these initiatives be approved, would be some £50-£80k per annum, representing a payback of less than 2 years.

## 3. Water savings at the Zoo

**Estimated one off costs - £60k**  
**Estimated ongoing savings - £50k**

Currently Belfast Zoo obtains two thirds of its water from the local water table via a bore hole at no cost, with the remaining mains supply costing £50k per annum. Until recently this figure was actually 100% i.e. all free water. However recent collapses within the bore hole and possible reductions in the water table combined with possible underground leaks have resulted in a shortfall of up to 50 cubic metres per day from the bore hole that has to be made up from mains water supply. If the bore hole was to fail completely, the Zoo would have to obtain all its water from mains supply at an approximate cost of £230k per annum.

The proposal is to carry out a hydro-geological survey of the Zoo site to identify a suitable location for a second bore hole and to subsequently provide same at an approximate cost of £30K. In addition, an underground survey and the repair of identified major leaks will assist in returning the zoo to dependency on the bore hole(s) alone for water supplies, at a further cost of approximately £30K. Together these will in the first instance offer a potential saving of £50K per annum with a payback of less than a year. In the event of the existing bore hole failing it will offer an alternative source of supply to the Zoo without incurring the cost of mains water supplies.

#### **4. Investing in Local Places                      Cost £100k**

One of the main themes of the draft Belfast Integrated Strategic Tourism Framework (BISTF) 2010 - 2014 due to be finalised this November is a 'bottom-up' approach to tourism development across the city, growing the tourism offer and spreading the benefits from the city centre to city wide communities and neighbourhoods. The BISTF 2010 – 2014 expands the concept of outer areas into Local Tourism Destinations, which not only looks at East, North, Shankill, South and West Belfast but specific clusters of product and assets that could act as attractors to drive visitors and income into the area

This proposal is for some £100k to initiate Bringing Tourism into Neighbourhoods and demonstrate some early wins to Members and Stakeholders as part of the Belfast Integrated Strategic Tourism Framework 2010 – 2014. Based on a preparatory economic appraisal, research, consultation and agreement of priorities some pilot projects could be delivered by March 2011. The pilot projects would be agreed by Development Committee but would need to be easily delivered and reflect East, North, Shankill, South and West Belfast. Every effort will be made to achieve an equitable spend across the five sectors of the city however the ability to do so will be dependent upon a range of factors which may not necessarily be within the Council's control.

#### **5. Dealing with Derelict Properties                      Cost £60k**

Derelict properties are now becoming more widespread in the city due to the economic downturn, as evidenced by the number of requests made to Building Control to deal with such properties having almost doubled in the last two years. This leads to areas looking dilapidated leading to complaints from people living nearby and can even put potential investors off investing in a particular area.

There is potential for the Council to be more proactive about such properties by establishing a budget to carry out a pilot programme in 2010/11 in a number of areas to assess how effectively the problem can be dealt with and test out some of the legal processes and definitions. The extent of the works could range from carrying out minor superficial works to the property to reduce its negative impact on the area, through to demolition in certain circumstances.

It is proposed that a pilot be commenced by targeting a number of specific areas, some of which have already been raised through the North, South, East and West briefings with Members.

It is estimated that £60k could deal with approximately 6 such properties during 2010/11, using a variety of means. If approval is granted, a detailed survey will be carried out by the Building Control Surveyors and further work with Members will take place through the ongoing North, South, East and West briefings to identify and prioritise suitable properties, linking them with other regeneration programmes where possible. The proposed list which will identify suitable properties across the city and classify the potential works into short, medium and longer term, will be agreed through the Health and Environmental Services Committee before works commence.

This would be an opportunity to more proactively approach a long standing problem and lead to positive neighbourhood regeneration at a local level.